

Message Text

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TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 241615

E.O. 11652, GDS

TAGS: EIND, EINV, PFOR, PE

SUBJECT: MARCONA OFFICIALS CALL ON DEPARTMENT

1. ON OCTOBER 9TH GORDON FURTH, DON MURTY AND MIKE BRADFIELD PAID SEPARATE CALLS ON ASSISTANT SECRETARY ROGERS, ASSISTANT SECRETARY ENDERS AND LEGAL ADVISER MONROE LEIGH. THEY ALSO CALLED ON UNDERSECRETARY GARDNER (TREASURY) AMBASSADOR DENT (STR) GENERAL DUNN (CIEP) AND BURKE KNAPP AT THE IBRD.

2. IN THEIR CALLS IN THE DEPARTMENT, THE MARCONA OFFICIALS IN EACH CASE SUMMARIZED THE STATUS OF THEIR RELATIONS WITH THE GOVERNMENT OF PERU ALONG LINES ALREADY WELL KNOWN TO THE EMBASSY. THEIR ESSENTIAL POINTS WERE THAT THE COMPANY REMAINS FLEXIBLE, IS PREPARED TO CONSIDER A VARIETY OF POSSIBILITIES FOR REACHING A SETTLEMENT, HAS SUPPLIED ALL INFORMATION
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REQUESTED BY THE GOVERNMENT OF PERU, HAS MADE SEVERAL

PROPOSALS FOR METHODS OF SETTLEMENT, BUT HAS YET TO RECEIVE ANY SUBSTANTIVE RESPONSE FROM THE PERUVIAN SIDE. THEY AGREED THAT SINCE THE MORALES BERMUDEZ GOVERNMENT TOOK POWER THERE HAVE BEEN MANY ENCOURAGING SIGNS, BUT THEY ARE STILL WAITING FOR AN INDICATION THAT THE GOP IS PREPARED TO TALK ABOUT SPECIFICS. THEY WERE

CLEARLY CONCERNED THAT UNLESS THERE IS A CHANGE SOON THE TALKS WITH THE GOP MAY STRING OUT INTERMINABLY.

3. IN THE DISCUSSIONS WITH ASSISTANT SECRETARIES ROGERS AND ENDERS MARCONA OFFICIALS EMPHASIZED THEIR VIEW THAT PRESSURE NEEDS TO BE MAINTAINED BY THE USG AND INTERNATIONAL AND PRIVATE FINANCIAL INSTITUTIONS IN ORDER TO MAKE IT CLEAR TO THE GOP THAT THEY MUST MOVE QUICKLY TO A SETTLEMENT. BRADFIELD, IN PARTICULAR, FOCUSED ATTENTION ON PERU'S ELIGIBILITY FOR GSP. IT WAS MARCONA'S VIEW THAT THE GOP WAS NOT YET NEGOTIATING. THEY ARE ALSO AFRAID THAT ANY DECISION INDICATING THAT PERU IS ENGAGED IN GOOD FAITH NEGOTIATION WOULD JEOPARDIZE EFFORTS TO DELAY IFI LENDING. WE NOTED THAT AMBASSADOR DEAN HAD ALREADY RAISED GSP IN DISCUSSIONS WITH HIGH PERUVIAN OFFICIALS. BOTH ASSISTANT SECRETARIES STATED THAT WE WERE PREPARED TO TAKE UP THE GSP PROBLEM AT A HIGH LEVEL IN THE PERUVIAN GOVERNMENT, CLEARLY INDICATING THAT THE GOP COULD NOT HOPE TO REMAIN ELIGIBLE FOR GSP UNLESS RAPID, SUBSTANTIAL PROGRESS IS MADE TOWARD SETTLEMENT OF THE MARCONA MATTER. A SEPARATE MESSAGE ON THIS QUESTION FOLLOWS.

4. THERE WAS ALSO EXTENSIVE DISCUSSION OF THE USG PROCEDURES FOR IMPLEMENTING GSP, ESPECIALLY THE NATURE OF THE PRESIDENTIAL FINDINGS THAT WERE REQUIRED TO REMOVE A COUNTRY FROM THE LIST, OR KEEP IT ON DESPITE A SUBSEQUENT EXPROPRIATION. MARCONA OFFICIALS SAID THEY PREFERRED THAT NO FINDINGS BE MADE NOW, BUT THAT IF A DETERMINATION MUST BE REACHED NOW, IT SHOULD BE TO REMOVE PERU FROM THE LIST.

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5. IN DISCUSSIONS WITH THE LEGAL ADVISER, MARCONA OFFICIALS ALSO RAISED THE ALLEGED INTENTION OF THE CLEVELAND-BASED IRON ORE DEALER, PICKANDS-MATHER, TO BUY LARGE QUANTITIES OF SAN NICOLAS ORE PELLETS FOR DELIVERY TO ITS CANADIAN SUBSIDIARY, AND POSSIBLE LEGAL STEPS TO PREVENT THIS. THEY ARE CONCERNED THAT THE ACT OF STATE DOCTRINE AS APPLIED IN CANADA MIGHT PRECLUDE SUIT IN CANADA AND ASKED THE DEPARTMENT TO

INTERCEDE INFORMALLY WITH PICKANDS-MATHER. MR. LEIGH
PROMISED TO CONSIDER THE REQUEST. KISSINGER

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